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ECONOMIC, FINANCIAL AND LEGAL ASSESSMENT OF CORPORATE INTEGRATION ASSOCIATION ACTIVITY

Problem statement and its connection with import antiscientific and practical tasks. In recent years, the problems of integration processes intensification in the corporate sector of the economy have caused increased attention from both scientists and practitioners, which is largely determined by the scale of globalization processes of the international economic relations system.

Integration of joint stock companies (JSC) is a complex and long process, the deployment of which takes place under the influence of numerous internal and external environmental factors. As a result of this process, a corporate association can be created, which should function more efficiently, stably and profitably than each of the JSCs forming the association separately. The key to achieving this kind of goal is the rational and reasonable selection of potential participants in the corporate integration association (CIA), the basis of which should be forecasting and evaluation of activities results.

Analysis of recent publications on the problem.

Theoretical, methodological and methodological principles of planning and evaluation of corporate integration processes were considered in the works of many domestic and foreign scientists, in particular: I. Buleev [1], K. Finkelstein [10], M. Gruninger [12], O. Hutsaliuk [3-4; 13], N. Kyzym [5], A. Kozachenko [6], O. Lyashenko [7], V. Pastukhova [8], A. Pilipenko [9], N. Prokopenko [1], M. Sirover [12], A. Voronkova [2] and several others. Most often, currently proposed

methods for assessing the activities of CIAs are based on the use of those indicators used during the analysis of the activities of autonomously operating JSCs. However, the activity of the CIA has its own peculiarities, which must be taken into account during such an analysis.

The main differences characterizing the CIA, according to the author, are the complexity of organizational and economic relations of the participants in the association, as well as the presence of a synergistic effect within the corporate integration association, the assessment of which constitutes a scientific and practical task that requires additional study.

Formulation of research objectives (problem statement). The purpose of the research is to substantiate and develop theoretical and methodological approaches to the economic, financial and legal assessment of the corporate integration association activities.

Materials and methods. The theoretical and methodological basis of scientific research is the fundamental provisions of the general economic theory, management theory, the work of domestic and foreign scientists on the planning and evaluation of corporate integration processes.

An outline of the main results and their justification. During the operational management of corporate integration associations (CIAs), a number of management tasks arise, which are specific to corporate

integration processes. The emergence of such specific tasks is more characteristic of corporate integration associations that were formed without properly assessment of the necessity for such integration and the development of an effective organizational structure of the CIA. These features include the following:

1. Obtaining, analyzing and using the necessary information for management. Due to the large number of projects, as well as due to the presence of a rather complex organizational and economic structure of the corporate integration association (especially diversified), there is an excess of information that comes from all directions and levels in various measuring systems. It is often almost impossible to compare and reliably interpret the received information. As a result, it becomes necessary to maintain double, triple, or even more complicated, accounting, which creates difficulties in drawing up operational balances in the directions and, as a result, makes it very difficult to make tactical and strategic decisions.

2. Duplication of some management functions. Due to the multidisciplinary nature of CIA components, it becomes necessary to duplicate the accounting and control function in each CIA business unit. Such duplication increases the cost of maintaining administrative and managerial personnel, but as a rule, does not allow implementing most management functions with a satisfactory level of effectiveness.

3. Difficulties in assessment of the individual areas effectiveness. The occurrence of these difficulties is due to the fact that the corporate integration association activities can be quite profitable, even in the case of inefficient activities of CIA individual units (participants), due to the presence of financial flows complex system within the association. Consolidation of the results of various participants work (both profitable and unprofitable) makes it difficult to determine the sources of positive financial results formation of CIA

work, creates difficulties in the decision-making process to improve the efficiency of the association.

4. Centrifugal trends within the CIA. Quite common may be the situation when CIA individual units try to adhere only to their own (local) interests during operations - to the detriment of solving corporate tasks. The spread of such trends can lead to a decrease in the overall CIA efficiency as a whole.

5. Risks associated with the possible opportunistic behavior of employees of CIA individual units, due to management decentralization within the association or the possibility of obtaining (on a formal or informal basis) autonomous powers by these units heads. The complexity of end-to-end financial control and a large number of departments can create a favorable environment for the selfish treatment of personnel at all levels of the management hierarchy. This situation can lead to the emergence of internal risks of abuse, which, in turn, complicates both the improvement of economic results and, for example, the involvement of external investments in the CIA development.

Solving these problems is possible only on the basis of a comprehensive research of the corporate integration association activities and determining the mechanism for forming the work results. Therefore, a comprehensive analysis of the corporate integration association performance should consist of two blocks: a general analysis of the CIA performance; analysis of the synergistic effect generated within the CIA.

The overall analysis of CIA activities effectiveness is carried out using a scorecard, the composition of which is proposed to be determined based on the construction of basis research matrix. The matrix columns form the analysis components (structure, dynamics, volume, etc.), and the rows form the analysis directions (shareholder property, corporate property, products, market, sources of investment, areas of activity, efficiency, synergy, etc.). The CIA analysis matrix is presented in Table 1.

Table 1

CIA Analysis Matrix

		Analysis components		
		Structure analysis	Dynamics analysis	Volume analysis
Analysis directions	Shareholder property	Shareholders structure and composition; ownership structure and composition; ownership packages structure	Capital dynamics; property values dynamics; exchange rate forecast	Share capital amount; property market value
	Products	Products types and their share in the CIA product portfolio; cost structure by product types	Production volumes dynamics; shares dynamics in the product portfolio	Products production and sales; production costs
	Market	Market structure, market share; consumer structure	Realization dynamics; market shares dynamics; sales dynamics	Sales quantity; volume of transactions
	Finance	Receivables and payables structure; capital structure	Dynamics debt; financial indicators dynamics	Borrowing amount; assets volume; capital; investments volume

Source: authors' own developments.

Based on the data of such a matrix, further research can be carried out using factor analysis methods and others. Thus, the indicators system, the formation of which is carried out on the proposed basis, is able to allow not only monitoring, but also tracking the dynamics and structure of indicators. In addition, the scorecard thus formed allows also arbitrarily expanding the scorecard itself and adjusting it for use in various CIAs.

It should also be borne in mind that in modern economic conditions determined by the deepening of crisis phenomena in the national economy development, long-term forecasting of the corporate integration association activities can be carried out only on the basis of the use of indicators expanded system describing various aspects of its activities, goals and interests' variety of the participants in the association.

In the analysis of joint stock companies and CIAs efficiency, financial indicators are almost most often used, which significantly limits the managerial potential for regulating the association development. To solve the CIA strategic management tasks, it is necessary to evaluate a wider range of aspects of the association activities - both at local levels (within individual JSCs) and on a corporate scale. Therefore, it is necessary to analyze not only the result of the CIA activities, but also to determine the implementation effectiveness of the achieving this result method, that is, assessing and summarizing the results of JSCs strategy implementation. This assessment is possible only in the case of a clear definition of JSCs or CIAs strategy,

$$C_n = (D(PN)_n + D(PA)_n + (EE)_n) - (DI_n + DT_n + I_0), \quad (1)$$

where n – the calculation period;

C_n – overall synergy effect;

$D(PN)_n$ – estimated additional profit from activities expansion;

$D(PA)_n$ – estimated additional profit from risk reduction due to CIA activities diversification;

$(EE)_n$ – saving current production costs;

DI_n – additional investment for reconstruction and expansion;

DT_n – tax payments increase (savings);

I_0 – investment at the takeover moment.

The calculating the synergistic effect method can be adjusted depending on the CIA type formed and the motives for its formation.

However, this calculation method has one significant drawback, which in some cases can interfere with its use or lead to incorrect conclusions by experts conducting calculations - this is a failure to account for a change in the money cost over time. This calculating the synergistic effect method can be used immediately after the integration and start of CIA operations. If it is necessary to analyze the synergistic effect after a certain period, it is indispensable to calculate the discount rate. In this case, the total synergistic effect will be calculated using the following formula (2):

$$Ct = \sum_{t=1}^T \frac{\Delta CF_t}{(1+r)^t}, \quad (2)$$

where ΔCF_t – the difference up to time t between the cash flows of the consolidated CIA and the cash flows amount of each JSC separately;

r – the expectation of the discount factor calculated taking into account the planned rate of return on the equity of the company that was not the initiator of the integration process.

The increase in can be calculated as follows (3):

$$\Delta CF_t = \Delta R_t - \Delta C_t - \Delta T_t - \Delta I_t, \quad (3)$$

where ΔR_t – revenue increase from integration;

mission and goals, formalization of them in clearly defined terms.

When conducting a comprehensive analysis of corporate integration associations' effectiveness, it is necessary to take into account all the above aspects of the problem. But, it should be noted that the analysis issues of various aspects of joint-stock companies and corporate integration associations' activities are devoted to many works of domestic and foreign scientists [1; 2; 6; 9-11 and others]. However, it is extremely relevant to specify and optimize the analysis directions, since unreasonable growth of its volumes can lead to a significant increase in the time necessary for such an analysis. Limitations in its implementation, in turn, can cause complications or even complete inability to make adequate and effective decisions by the JSC (CIA) management based on such analysis. The most optimal, according to the author, is the list of analysis directions, which is given in Table 1.

Especially important is the issue of analyzing the synergistic effect formed inside the corporate integration association. The most complex structure and possibility of analysis is the diversified industrial and financial group synergistic effect. In this case, the CIA includes banking institutions and industrial enterprises of various profiles.

The synergy effect increases revenues and enhances the cash flows of the corporate integration association. In general, the synergistic effect amount formed within the CIA is as follows (1):

ΔC_t – costs increase,
 ΔT_t – increase in tax deductions,
 ΔI_t – increase of additional investments in working capital and fixed assets.

Based on this approach, it becomes possible to differentiate the synergy sources into four main categories: income increase, cost reduction, tax deduction reduction and additional investment reduction, and based on which, if necessary, a factor analysis is carried out to identify the degree of achievement of a certain strategy, integration goals and,

if possible, to identify reserves for increasing the synergy effect.

To analyze the CIA activities, it is necessary to analyze the various activities integration degree within the CIA. Such analysis is advisable to carry out in different directions of CIA participants' interaction: integration of participants' production potentials in the CIA; integration of financial and production potentials for various joint stock companies – CIA participants; integration of CIA participants' scientific potentials. The coefficients' general characteristics proposed for such analysis are given in Table 2.

Table 2

Characterization of the indicators for assessing the depth of CIA participants' integration

Scorecard Groups	Scorecard Name	Legend	Characteristics
Industrial potentials integration scorecard	Internal supply	K_{sup}	Shows the proportion of products produced for domestic consumption within the CIA
	Internal exchange	$K_{int.exch}$	Shows the share of CIA participants involved in the products production consumed within CIA
	Attracting production capacity	$K_{prod.cap}$	Indicates which part of the production capacity is used for domestic production
	Equity Participation	K_{eq}	Characterizes the participation degree in the capital of various participants in CIA, except for cross-ownership of shares
	Mutual equity participation	$K_{mut.eq}$	Characterizes the mutual penetration degree into each other's capitals of various CIA participants
Scientific potentials integration scorecard	Internal use of R&D	$K_{r\&d}$	Characterizes the degree of R&D implementation within CIA
	Amounts of R&D that have been mastered	$K_{mast.r\&d}$	Shows the production provision degree by internal R&D
	Participation in the Research Institute capital	K_{cap}	Characterizes the participation level of other CIA participants in the capital of participants conducting R&D
Industrial, financial potentials integration scorecard	Participation in financial capital	$K_{part.cap}$	Shows how many non-financial participants take part in the capital of financial participants
	Internal financing	$K_{int.fin}$	Characterizes the security degree of non-financial participants in CIA with the financial participants funds in CIA
	Participation of non-financial participants in financial capital	K_{fin}^{f-n}	Characterize the participation degree of financial and non-financial participants of CIA in each other's capital
	Participation of financial participants in non-financial capital	K_{fin}^{n-f}	
	Internal control	K_{cont}	Shows the control degree of non-financial CIA financial participants

Source: authors' own developments.

Calculation results analysis of the above-mentioned coefficients allows to assess the interaction of CIA individual activities. This analysis makes it possible to draw conclusions, both from the integration of capital of CIA activity various areas, and from the integration of processes of activity.

Thus, after conducting a general analysis of the CIA activities and calculating all the above-mentioned factors, it is possible to draw conclusions on the further existence of CIA, the need to adjust the CIA development strategy, change the general profile of the activities, etc.

Conclusions and perspectives of further research. A comprehensive analysis of the corporate integration association' activities should consist of two blocks: a general analysis of the effectiveness of the CIA activities; analysis of the synergistic effect generated within the CIA. It is recommended to carry out a general analysis of the effectiveness of CIA activities using a scorecard, the composition of which is proposed to be determined based on the construction of basis studies' matrix.

In order to analyze the activities of the already established CIA, it is necessary to analyze the

integration degree of various activities within CIA. Such analysis should be carried out in different directions of interaction between CIA participants (industrial potentials' integration, scientific potentials and integration of industrial and financial potentials of JSC) using the indicators' system proposed by the author. To illustrate and simplify the results' analysis of such an analysis, it is recommended to use the integration profile

of the JSC, which allows you to clearly assess the integration degree in different directions.

The direction of further research in this area are related to the methodological recommendations' development for modeling the optimal capital structure of a corporate integration association, which would ensure the financial results maximization of CIA activities.

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Коцюрба О. Ю., Аблязова Н. Р., Захарченко О. В., Мотузка О. М. Економічна та фінансово-правова оцінка діяльності корпоративного інтеграційного об'єднання

Розглянуто зміст процесу інтеграції акціонерних товариств (АТ). Узагальнено передумови здійснення раціонального і обґрунтованого відбору потенційних учасників корпоративного інтеграційного об'єднання (КІО) на основі прогнозування і оцінки результатів діяльності такого об'єднання. Встановлені особливості організації та управління корпоративними інтеграційними об'єднаннями (труднощі в одержанні, аналізі і використанні необхідної для управління інформації; дублювання окремих управлінських функцій; неоднозначність оцінки ефективності роботи окремих напрямків діяльності; відцентрові тенденції всередині КІО, ризики, пов'язані з децентралізацією управління об'єднаннями).

Доведено необхідність проведення дворівневої оцінки діяльності корпоративного інтеграційного об'єднання (на локальному рівні в межах окремих АТ, і в загальнокорпоративному масштабі) для вирішення завдань стратегічного управління КІО. Визначено напрями проведення комплексного аналізу ефективності діяльності корпоративного інтеграційного об'єднання, який повинен складатися з двох блоків: загальний аналіз ефективності діяльності КІО; аналіз синергетичного ефекту, який утворюється в межах КІО.

Обґрунтований склад системи показників оцінки діяльності корпоративного інтеграційного об'єднання на основі побудови матриці базисних досліджень. Доведено доцільність проведення диференціації джерел появи синергії КІО на чотири основні категорії: збільшення доходів, зменшення витрат, скорочення податкових відрахувань та зниження додаткових інвестицій, і на основі чого, при необхідності, проведення факторного аналізу для виявлення ступеня досягнення визначеної стратегії, цілей інтеграції та, у разі можливості, виявлення резервів збільшення синергетичного ефекту.

Визначено напрями проведення аналізу діяльності КІО на основі визначення ступеня інтеграції різних напрямів діяльності всередині КІО, таких як: інтеграція виробничих потенціалів учасників КІО; інтеграція фінансового і виробничих потенціалів різних акціонерних товариств – учасників корпоративного інтеграційного об'єднання; інтеграція наукових потенціалів учасників КІО. Обґрунтовано склад показників оцінки глибини інтеграції учасників корпоративного інтеграційного об'єднання. Запропоновано підхід до визначення ефекту синергії при утворенні корпоративного інтеграційного об'єднання до постійних змін в економічному середовищі.

Ключові слова: корпоративне управління, акціонерне товариство, корпоративна інтеграція, оцінка діяльності, корпоративне інтеграційне об'єднання, ефект синергії.

Kotsiurba O., Abliazova N., Zakharchenko O., Motuzka O. Economic, Financial and Legal Assessment of Corporate Integration Association Activity

The content of the integration process of joint stock companies (JSC) is considered. The prerequisites for rational and reasonable selection of potential participants in the corporate integration association (CIA) based on forecasting and evaluation of the results of such association's activities are summarized. Established peculiarities of organization and management of corporate integration associations (difficulties in obtaining, analyzing and using the information necessary for management; individual management functions duplication; ambiguity of the certain activities effectiveness assessment; centrifugal trends within the CIA, risks associated with association management decentralization).

The need for a two-level assessment of the corporate integration association activities (at the local level within individual JSCs, and on a corporate scale) to solve the tasks of the CIA strategic management has been proved. Complex analysis directions of corporate integration association activities efficiency are defined, which should consist of two blocks: general analysis of CIA activities efficiency; analysis of the synergistic effect that is formed within the CIA.

The indicators system composition of corporate integration association assessment based on construction of the basic studies matrix is substantiated. It is proved expediency of sources differentiation of CIA synergy occurrence into four main categories: increase of income, reduction of expenses, tax deductions reduction and additional investments reduction, and on the basis of which, if necessary, factor analysis is carried out to identify the achievement degree of a certain strategy, integration goals and, if possible, reserves detection of synergetic effect increase.

The analysis directions of the CIA activities are determined based on determining the integration degree of various activities within the CIA, such as: the production potentials integration of CIA participants; financial and production potentials integration of various joint stock companies – participants of the corporate integration association; scientific potentials integration of CIA participants. The indicators composition for assessing the depth of integration of the corporate integration association participants is substantiated. An approach to determining the synergy effect in the corporate integration association formation to constant changes in the economic environment is proposed.

Keywords: corporative management, joint stock company, corporate integration, activity evaluation, corporate integration association, synergy effect.

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